The Client Interview

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There is often a sense of nervousness when you go to your first meeting with a new financial planner or advisor. How should you approach the meeting? What and how much should you tell them? What results do you expect from the meeting and from any future interactions?

Generally speaking, there are two approaches that can be taken when dealing with a new advisor. The first approach is to have the advisor review everything in the hopes that he/she will tell you that everything is going to be alright with some modest adjustments.

The second approach is for the advisor to review your current situation and make recommendations that will require changes. For the client this is often the harder route to take. Consider the following case study as an example.

A couple in their early 40's are referred to our office and want help with their current lifestyle and finances. They are both professionals and earn incomes in the top 10% of Canadians. As far as cash flow management patterns are concerned, they pretty much spend everything they earn. In addition, the couple are looking to trade up to a bigger home now that their two children are teenagers. This financial decision would require additional mortgage debt of about $250,000. They have combined employer Group RRSPs of about $60,000 and they have some life insurance in place and no Wills or emergency savings.

Over the past decade, their best friend has been their mortgage broker who they speak highly of since she has helped them refinance their debts three times to consolidate credit card and line of credit debts into their mortgage principal. The house value has risen nicely since they bought it some 15 years ago and they expect the new house to also appreciate strongly in the coming years.

When the couple were questioned, they admitted to enjoying their annual family vacations and did not wish to give them up in order to save for retirement through RRSPs. As a result, the couple asked if they can afford the new house and still continue the current lifestyle and stop going into debt in the future.

In response, the advisor stated that they would need to make some behavioural and tactical changes to secure their financial future. The first area was a discussion about the need to sell the new larger house in 15 years once the children were in university. Afterwards, the couple would need to downsize and pay off any remaining mortgage balance. The assumption that the house values continues to appreciate at the same rate that they have in the past ten years is doubtful if Canadian real estate corrects in the next few years. Finally, any remaining capital would ideally be applied to retirement savings.

At this point, the couple would be in their late 50's with little money saved for retirement and only a few years left to do so.

Based on the above case study, the dilemma for the advisor is how to properly advise this couple, who are saving no money towards retirement and are unwilling to make any changes in their lifestyle to secure their future years.

Call us today for a review of your current situation and to hear how we would answer this question in your case.

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